

## Message Text

LIMITED OFFICIAL USE

PAGE 01 SANTIA 00268 132211Z

73

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 CIAE-00 COME-00 DODE-00 DOTE-00

FMC-01 INR-07 NSAE-00 CG-00 OFA-01 DLOS-04 L-03 SS-15

NSC-05 SP-02 H-02 STR-04 TRSE-00 PRS-01 /059 W

----- 080772

P 132055Z JAN 76

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC PRIORITY 6564

LIMITED OFFICIAL USE SANTIAGO 0268

E.O. 11652: N/A

TAGS: EWWT, CIT

SUBJECT: DISCRIMINATORY SHIPPING PRACTICES

REF: STATE 005489

1. SUMMARY. THIS TEL FIRST ANSWERS TO EXTENT WE ARE ABLE SPECIFIC QUESTIONS ASKED BY DEPARTMENT, KEYED TO PARAS IN REFTEL. IT THEN DESCRIBES STATE OF PLAY WITHIN GOC, WHICH, OUR EARLIER HOPES NOTWITHSTANDING, DOES NOT REPEAT NOT LOOK ESPECIALLY FAVORABLE FOR ACROSS-THE-BOARD RESOLUTION OF PROBLEM. POSSIBLE COURSES OF ACTION BY USG ARE DISCUSSED. END SUMMARY.

2. REFTEL PARA ONE. LANGUAGE TRANSMITTED TO FONMIN (LACKINGTON) FOR USE WITHIN GOC, AS DESCRIBED BELOW.

3. REFTEL PARA TWO. PRUDENTIAL REP (GORMAN) CONCURS WITH LYKES THAT DL 1297 INDEED HAS EFFECT OF CUTTING US-FLAG SHIPPING OUT OF WAYPORT CARGOES BETWEEN CHILE AND THIRD COUNTRIES. IN THAT RESPECT, GORMAN SAID, DL 1297 HAD BEEN QUOTE QUITE CLEVERLY DRAFTED UNQUOTE. EMBASSY CONCURS WITH SHIPPING COMPANIES IN THEIR INTERPRETATION, NOTING ONLY THAT BILATERAL SHIPPING AGREEMENTS BETWEEN CHILE ON ONE HAND AND BRAZIL AND ARGENTINE ON THE OTHER ALSO CUT INTO US-FLAG CARRIAGE OF WAYPORT CARGOES. PROBLEM THUS CANNOT BE FINALLY RESOLVED WITHIN CONTEXT OF LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 SANTIA 00268 132211Z

DL 1297 ALONE.

4. REFTEL PARA THREE. EMBASSY AND PRESUMABLY GOC STILL UNCERTAIN AS TO POSSIBLE RELATIONSHIPS BETWEEN DL 1297 AND ULTIMATE SOLUTION IN TERMS OF REINTERPRETATION OF VAT REBATE, SINCE STUDY OF MATTER STILL GOING FORWARD.

5. REFTEL PARA FOUR. SUBPARAS A, C, D, E AS STATED ABOVE. WE ARE CABLING ENGLISH TRANSLATION OF DL 1297.

6. GENERAL OBSERVATIONS. ECON COUNSELOR DISCUSSED PROBLEM WITH FONMIN (LACKINGTON) JANUARY 9, BRIEFING HIM ON GENERAL USG POSITION AND GIVING HIM COPIES OF WAIVER REQUESTS BY PRUDENTIAL LINES, WHICH, EVEN AFTER THE PROMULGATION OF DL 1297 WERE STILL BEING DENIED BY RIVAL CHILEAN-FLAG LINES. ECON COUNSELOR ALSO NOTED INACTION ON PART OF MIN TRANSPORT IN GIVING EFFECT TO DL 1297. LACKINGTON REPLIED QUOTE I AM IN A POSITION I DON'T LIKE, SINCE IT IS THE MINISTRY OF TRANSPORT WHICH HAS THE LEGAL RESPONSIBILITIES FOR THESE MATTERS, AND I HAVE TO COPE WITH THE STUPID THINGS THAT THEY DO. LET ME TELL YOU ONE INCREDIBLE THING. THOSE CRAZY GUYS IN THE MINISTRY ARE NOW CONTEMPLATING ANOTHER LAW RESERVING 100 PERCENT OF CARGO FOR LAN (CHILEAN NATIONAL AIRLINE). WHEN I TOLD THIS TO (FINMIN) CAUAS, HE SAID THAT WE REALLY SHOULD WRITE A BOOK ON HOW DIFFICULT IT IS TO ENFORCE AN ECONOMIC PROGRAM IN CHILE. UNQUOTE.

7. LACKINGTON THEN MUSED ALOUD FOR A MINUTE ON HOW HE WOULD HANDLE THE PROBLEM, WHICH HE CHARACTERIZED AS FUNDAMENTAL. QUOTE. A BUNCH OF GANSTERS IN THE MINISTRY OF TRANSPORT ARE NOT CONFORMING TO THE GOVERNMENT'S POLICIES, AND WILL NOT TAKE DIRECTIONS. UNQUOTE. THERE WAS NO LONGER ANY POINT, HE CONTINUED, FIGHTING THEM ON EACH INDIVIDUAL ISSUE. IT COULD ONLY BE SETTLED ON HIGH POLITICAL LEVEL. THE ONLY WAY TO DO WHAT HAD TO BE DONE WAS TO SCRAP THE WHOLE BUNCH. THERE WERE SOON GOING TO BE SOME HIGH LEVEL CHANGES IN THE GOVERNMENT, HE SAID, AND THEY MIGHT AS WELL INCLUDE THE MIN TRANSPORT GROUP IN THOSE WHO WOULD HAVE TO GO.

8. LACKINGTON THEN CALLED TWO PEOPLE. THE FIRST BEING ROBERTO KELLY, DIRECTOR OF ODEPLAN (PLANNING ORGANIZATION), LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 SANTI 00268 132211Z

WHICH HAD BEEN CHARGED WITH REVISING DL-466. HOLDING WAIVER DENIALS IN HIS HAND, LACKINGTON GAVE KELLY GIST OF EMBASSY PRESENTATION. KELLY ASSURED LACKINGTON THAT HE WOULD TAKE UP THE MATTER OF THE MINISTRY OF TRANSPORT'S LATEST DELINQUENCIES DIRECTLY WITH PRESIDENT PINOCHET. LACKINGTON THEN CALLED A SON-IN-LAW OF PRESIDENT PINOCHET, JULIO PONCE LEROU, DIRECTOR OF NATIONAL FORESTRY CORPORATION (CONAF), AND ARRANGED TO LUNCH WITH HIM ON THE FOLLOWING WEDNESDAY. PONCE APPARENTLY

TOLD LAKINGTON THAT HE ALSO KNEW OF SOME UNTOWARD GOINGS-ON IN THE MINISTRY OF TRANSPORT AND HE WANTED TO DISCUSS THE MATTER FURTHER. EMBASSY WILL BE REPORTING FURTHER ON EFFORTS WITHIN GOC TO BRING THIS RECALCITRANT MINISTRY TO HEEL.

9. COMMENT AND RECOMMENDED COURSE OF ACTION. ABOVE BEING REPORTED IN SOME DETAIL IN ORDER TO GIVE CONCERNED WASHINGTON AGENCIES FEEL OF WHAT IS TRANSPIRING WITHIN GOC. APPARENT THAT WE WOULD DERIVE NO COMFORT WHATEVER FROM MIN TRANSPORT IN THIS MATTER. USG FIRST OBJECTIVE AT THIS POINT IS TO RID US-FLAG NORTHBOUND SHIPPING FROM NECESSITY OF GOING TO THEIR CHILEAN COMMERCIAL RIVALS IN ORDER TO OBTAIN PERMISSION TO CARRY COMMERCIAL CARGOES. SECOND IS TO MONITOR AND INFLUENCE EVOLUTION OF CHILEAN SHIPPING POLICIES CONSISTENT WITH CONCEPT OF FREE COMPETITION SHARED BY BOTH REPEAT BOTH GOVERNMENTS. ALTHOUGH COMPLICATED BY EXISTING BILATERALS WITH ARGENTINA AND BRAZIL, WAYPORT CARGO PROBLEM SHOULD BE SUSCEPTIBLE OF AT LEAST A PARTIAL SOLUTION WITHIN THIS CONTEXT.

10. PROBLEM IS NOW POLITICAL ONE WITHIN HIGHEST LEVELS OF GOC. FOR REMAINDER OF THIS WEEK, WE THINK IT BEST TO LET MATTER AGAIN COME TO ATTENTION OF PINOCHET, WHO HAS BEEN TOLD THAT SITUATION HAS BEEN RESOLVED TO SATISFACTION OF ALL PARTIES, INCLUDING USG, AND IS EXPECTED TO BECOME SOMEWHAT EXPLOSIVE WHEN HE FINDS THAT IT IS NOT. AS LACKINGTON INDICATED, STRONG CATHARTIC ADMINISTERED TO MINISTRY OF TRANSPORT MAY BE ONLY SOLUTION.

11. IF BY NEXT MONDAY, NO SOLUTION TO IMMEDIATE WAIVER PROBLEM IS FORTHCOMING, THEN I PLAN TO APPROACH FINMIN CAUAS, POINTING OUT THAT WE CANNOT CONTINUE TO GRANT FREELY COMPETITIVE PRIVILEGES TO CHILEAN-FLAG SHIPPING IN U.S. PORTS WHILE THE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 SANTIA 00268 132211Z

SAME ARE BEING DENIED TO US-FLAG SHIPPING HERE. WE WOULD HAVE LITTLE CHOICE, SHOULD MATTERS CONTINUE, BUT TO RECOMMEND THAT PROCEEDINGS BEGIN IN WASHINGTON TO IMPOSE COUNTERVAILING MEASURES ON CHILEAN SHIPPING, INCLUDING BOTH COUNTRY-OF-DESTINATION AND WAYPORT CARGOES.

12. IN SUPPORT OF OUR APPROACHES TO GOC, AND AS OF POSSIBLE USE IN WASHINGTON PROCEEDINGS, SHOULD THESE OCCUR, EMBASSY IS REQUESTING GRACE Y CIA, AGENTS FOR LYKES AND PRUDENTIAL, TO PREPARE ESTIMATE OF CARGO TONNAGE LOST SO FAR BY DISCRIMINATORY PRACTICES. THIS ESTIMATE WILL BE FORWARDED TELEGRAPHICALLY TO DEPARTMENT. DEPARTMENT SHOULD KEEP IN MIND THAT CARGO ACTUALLY DENIED BY WAIVER PROCEEDING REPRESENTS ONLY PORTION OF TOTAL CARGO THAT PRUDENTIAL AND LYKES MIGHT HAVE CARRIED HAD LOCAL SHIPPERS NOT BEEN DETERRED BY NECESSITY OF APPLYING

FOR WAIVERS FROM EVEN TRYING TO SHIP BY US-FLAG CARRIERS.  
POPPER

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** MARINE TRANSPORTATION, LAW, DISCRIMINATION, CARGO, POLICIES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 13 JAN 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976SANTIA00268  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760012-0632  
**From:** SANTIAGO  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760162/aaaaccxl.tel  
**Line Count:** 171  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 STATE 5489  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** morefirh  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 16 APR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <16 APR 2004 by GarlanWA>; APPROVED <20 APR 2004 by morefirh>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** DISCRIMINATORY SHIPPING PRACTICES  
**TAGS:** EWWT, CI, US  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006